

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. EAC-2011-0007 TF-2011-0129
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ORDER DOCKETING FILING AND SETTING COMMENT PERIOD

(Issued December 9, 2011)

On November 18, 2011, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) its first year compliance filing and tariff (Reconciliation Filing) for its Regional Transmission Service Rider (Rider). The filing is made pursuant to Board orders issued January 10, 2011, and February 25, 2011, in Docket Nos. RPU-2010-0001 and TF-2011-0010. The Rider provides the adjustment mechanism that reflects the estimated transmission expenses assigned to each particular customer class and the estimated kW or kWh effective January 1 of the upcoming year. The reconciliation filing includes a proposed 2012 Rider tariff as well as 1) the calculation of the Rider factors; 2) the reconciliation of the prior year (2011) transmission expenses and corresponding Rider revenues; 3) the estimated 2012 transmission expenses; and 4) the billing determinants. IPL made a supplemental filing on December 1, 2011, in response to a request for additional documentation for an expense number.

Central Iowa Power Cooperative's (CIPCO) investment true-up, which is an annual amount of \$205,728, is included in the reconciliation filing. CIPCO's

investment true-up was a contested issue in IPL's last rate proceeding, identified as Docket No. RPU-2010-0001.

IPL did not include any CIPCO investment true-up charges in its monthly reports through October 2011. However, IPL has included in its annual reconciliation calculations the recovery of the 2010 estimated expenses of \$205,728 associated with CIPCO's investment true-up. For the eight months of 2011 (March through October), IPL has included \$137,152 as the recovery portion of CIPCO's true-up.

In its reconciliation filing, IPL also included \$205,728 in its projected 2012 transmission expenses for CIPCO's investment true-up charges. On pages 7 and 8 of its reconciliation filing, IPL provided the following reasoning for including these charges in its projections:

The CIPCO invoices included as part of the monthly transmission expense reports reflect two separate charges, the Network Integration Transmission Service (NITS) charge and the Transmission Investment Credit/True-up charge. The Board's January 10, 2011, Order in Docket No. RPU-2010-0001 on page 138, Finding of Fact 21, approved recovery of CIPCO transmission charges. During the Docket No. RPU-2010-0001 proceeding, the level of recovery associated with the Transmission Investment Credit/True-up Charge was at issue.

Consistent with the Board's Order, and to mitigate this issue, IPL agreed not to adjust Rider RTS for changes in the CIPCO investment/true-up; however, IPL did not agree to forego recovery of the test year investment credit/true-up. On page 75 of the Board's Order, it referenced IPL's agreement in footnote 10. In addition, the Board's Order on pages 63-66 discusses the CIPCO true-up costs. Specifically, the Board states on page 66 of the Order:

The CIPCO true-up costs paid by IPL are known and measurable and are incurred in providing electric service to IPL's customers. IPL's customers, although largely served by transmission formerly owned by IPL and now owned by ITC Midwest, also must use other systems such as CIPCO's to receive service, and the true-up charges paid by IPL provide benefit to IPL's electric customers.

IPL's final rates compliance filing included all of the test year estimated CIPCO expenses, including the \$205,728 associated with the investment true-up, when IPL developed the amount of transmission expenses to back out of base rates. This resulted in the investment true-up amount incorrectly being backed out of base rates. In addition, IPL has not been tracking any of investment true-up expenditures through the rider as a result of the Board's Order on page 75. However, IPL should be recovering the 2009 test year CIPCO true-up through rates, consistent with page 66 of the Board's Order, either through the rider or base rates. To remedy the issue, IPL proposes to recover \$205,728 (based upon the 2009 test year) of annual CIPCO expenses through the rider instead of redesigning all customer class base rates for the inclusion of this amount. IPL will not adjust Rider RTS for any actual monthly variances to this amount. This amount has been reflected in the projected 2012 transmission expenses.

As part of its ongoing review of any over and under collections, the Board's staff on June 22, 2011, asked IPL to provide additional information in its monthly filings. IPL provided the requested information and also indicated it had discovered that it had not been collecting CIPCO's investment true-up costs or the MISO Schedule 10 (Admin) charges in either base rates or through the Rider. IPL proposed to begin to collect those two expenses through the Rider with amounts fixed at 2010 expense levels consistent with RTS rate design.

IPL is now collecting the MISO Schedule 10 (Admin) charges through the Rider; collection of these charges was authorized in the final order in Docket No. RPU-2010-0001, but the charges were inadvertently omitted from recovery mechanisms. However, the Board has not yet authorized the recovery of CIPCO's investment true-up charges through the Rider. The recovery of any CIPCO investment was a contested issue in Docket No. RPU-2010-0001 and the final order did not fully resolve the matter as shown in these excerpts from the Board's January 10, 2011, order:

p. 66: The CIPCO true-up costs paid by IPL are known and measurable and are incurred in providing electric service to IPL's customers. IPL's customers, although largely served by transmission formerly owned by IPL and now owned by ITC Midwest, also must use other systems such as CIPCO's to receive service, and the true-up charges paid by IPL provide benefit to IPL's electric customers.

p.75: footnote no. 10: IPL agreed, to alleviate some concerns expressed by LEG, not to include CIPCO transmission charges in the rider.

p.138: Finding of Fact 21: It is reasonable to allow recovery of CIPCO transmission charges.

There is a possible contradiction between pages 66 and 138 and page 75 of the Board's Order as to whether IPL can recover CIPCO investment true-up costs through the Rider. IPL is requesting to include a base amount of \$205,728 for CIPCO investment true-up charges in the Rider. IPL has included the eight-month portion of the \$205,728 for 2011 in the reconciliation for 2011 as well as including the full amount of the \$205,728 in the 2012 projected expenses. IPL stated that it will not include any changes to the base amount in the Rider.

In order to allow the Large Energy Group and any other interested party an opportunity to comment, the Board will docket and suspend IPL's filing and set a comment schedule. LEG is invited to comment on such things as whether it is consistent with the Board's Docket No. RPU-2010-0001 final order for CIPCO investment true-up changes to be included in the Rider, in base rates, or in neither. IPL will be provided an opportunity to file reply comments. Until this matter is resolved, IPL is to continue collections using its 2011 factors.

IT IS THEREFORE ORDERED:

1. Interstate Power and Light Company's filings on November 18, 2011, and December 1, 2011, identified as EAC-2001-0007 and TF-2011-0129 are docketed for investigation and suspended. Until this matter is resolved, IPL shall continue collections using its 2011 factors.
2. The Large Energy Group and any other interested person may file comments on or before December 29, 2011.
3. IPL may file reply comments on or before January 12, 2012.

UTILITIES BOARD

/s/ Elizabeth S. Jacobs

/s/ Darrell Hanson

ATTEST:

/s/ Joan Conrad
Executive Secretary

/s/ Swati A. Dandekar

Dated at Des Moines, Iowa, this 9th day of December 2011.